

## **FUNDING OUR PRIORITIES**

**2008-09 Budget Remarks  
Mayor Robert J. Duffy  
City Council Chambers  
Friday, May 16, 2008**

Good morning,

Today, I put forth my third budget since assuming office in January of 2006. This budget is driven by our determination to focus our resources on our priorities. It is a budget that received unprecedented input from our customers. It is a budget that is in balance and does not rely on one-shot revenues or gimmicks. It is a budget that will see strategic changes in City services, how we deliver those services and it's a budget that invests in the things that will make us great.

I want to take this time to thank my staff – especially Deputy Mayor Patricia Malgieri, Budget Director William Ansbro and the entire Budget Department for their outstanding effort. I want to thank all of the City commissioners, directors and managers for getting behind this effort.

I also need to thank our citizens, neighborhood organizations, community leaders and those who participated in our budget meetings. Many are in attendance today. Thank you for your vital input and honesty.

Finally, I want to acknowledge City Council, our partners in government. There can be no budget without their oversight and approval. I look forward to their questions and input to improve on this budget.

There can be no doubt that this is the most challenging City budget since I took office. But it would be wrong for me to characterize the state of the City as anything but looking up. The city is thriving. Companies like PAETEC and ESL are investing here. New market rate housing is selling as soon as the units are built. Tens of thousands of people flock to our city's amenities, shopping, Public Market, festivals and special events.

This year, we completed a citywide reassessment and homestead properties increased in value by 11%. Double digit growth in the value of property is a clear indicator of a strong and stable community.

I am not minimizing our challenges and problems. But it is clear that we are on the right path and moving in the right direction. Do we have a tough budget year ahead? Yes. But we will emerge from this year stronger, more directed and focused on our overall goal to be the best mid-sized city in America.

This budget year began with a very somber message. We had a yearly shortfall of funds with no clear increase in reliable, recurring revenue to offset it. The projected budget gaps in the years ahead were just too large to ignore. We had to change the way we do business to survive.

The \$24 million shortfall facing us this year had to be addressed in an honest and fiscally sound manner. We simply could not use gimmicks or one-shots or non-recurring revenues to make up this shortfall. Otherwise, the gap would have been that much worse next year – and the year after and the year after.

Let me repeat – our budget problems are structural, driven by ever-increasing costs in things we cannot control. Things such as arbitrated wage increases, rapidly escalating health care and pension costs and the State mandated amount we must give our school district. We give the district almost **three quarters** of our property tax levy.

Without a real and significant reduction in jobs and services, along with consolidations and other efficiencies, we would be faced with ever-increasing budget shortfalls in the years to come. Stop-gap budgeting would put us at risk of a control board or receivership. We continue to lag seriously behind the State aid our upstate neighbors now enjoy. It was clear that we had to solve this problem on our own – as Rochester somehow has always done.

We did not shrink from this task. We chose to look at this structural and recurring challenge as an opportunity. An opportunity to strip away activities and services we could live without and to invest our resources in our priority areas of public safety, education and economic development with a constant eye on customer service.

As I stated in my State of the City Address, this is a marathon. And we are hitting a tough stretch of road. But this budget is not retrenchment. It's a strategic plan to invest in our priority areas and disinvest in areas that are deserving, but no longer affordable.

And while this budget contains pain – job losses, consolidations, restructuring and funding reductions or eliminations for many popular programs – it is being done to make us better, leaner, more efficient and better able to navigate the road ahead.

This year, we had to do what many of our citizens have had to do – pull the family together and have a tough talk on how to cut back our spending and re-focus our resources on what is important to our future.

And we did just that. We conducted a scientifically valid survey of our customers to see how citizens rated our services. The grades we received were generally good, but we know we need to improve. Grades alone could not guide us in restructuring our budget. We still needed to have a family discussion on our finances.

We therefore held seven public budget discussions, with at least one event in each quadrant of our city. Our neighborhood and sector leaders were extremely engaged.

The level of commitment from our neighborhood leaders and citizens to provide me and my budget team with input was outstanding. Despite their busy schedules and challenging weather, more than 300 participants assisted us in our budget development. At each budget meeting, I asked four questions:

- What are the most important services to you?
- What services could you live without or cut back?
- What services or projects do you not need or want?
- Are you willing to pay a little more for added services?

While people chose different words to express their concerns and ideas, consistent themes emerged, many of which directly aligned with our priority areas. Their major issues included: Zero Tolerance and police services, educational excellence, revitalizing neighborhoods and downtown, neighborhood support services, consolidations, efficiencies, outsourcing and service reductions. Backed by our customer satisfaction survey and bolstered by these seven public meetings, my team fashioned a budget that I am proud to present to you now. Let me share with you some of the details of the budget and the way we closed the \$24 million shortfall:

The 2008-09 Proposed Budget comes in at a shade under \$478 million. The exact number is \$477,878,500. There are two distinct areas of growth: the operating budget increase and the State-offered one-time spin-up of State aid. The Operating Budget growth is about \$6.6 million more than last year's budget, a 1.5% increase. This is what the budget growth would have been if not for the one-time spin-up in State Aid of \$20 million.

When the spin-up aid is added, the budget grows by 5.9%. As I stated earlier, we will not use any one-shot or non-recurring revenue to close our budget gap. Instead, we are proposing to use this one-time State revenue for one-time expenditures to reduce future operating costs and continue to grow our property tax base. I will detail our proposed use later in this presentation.

First, let me detail how we addressed our shortfall. We closed the \$24 million gap with:

- **\$6.6 million** – in additional State aid – this is recurring aid;
- **\$5.8 million** – in departmental efficiencies;
- **\$2.1 million** – in increased enterprise fund revenue including fee increases;
- **\$1.5 million** – in departmental reductions;
- **\$0.9 million** - in lower required contributions to the NYS Retirement System;
- **\$5.8 million** – From the growth in our tax base;;
- **\$1.3 million** – net of all other changes.

In addition, another \$2.6 million in health care containment measures help fund \$2.5 million in enhancements.

This budget contains several new initiatives totaling \$2.5 million. These are based upon our priorities, yet we reduced the total number of employee positions by 103. That number includes the elimination of 70 full-time positions and 33 part-time and seasonal positions. Unfortunately these reductions will require the layoff of 40 full-time employees and seven part-time employees.

In total, this budget will see 2,893 full time City employees - which, looking back, is the fewest since before the Truman administration and could possibly be the lowest number of City employees in modern times.

Now let me discuss the changes, reductions and investments we are making in our priority areas of public safety, education and economic development. We utilized much of the public input we gleaned from our survey and our public budget meetings in making these changes.

## **PUBLIC SAFETY**

First, some of our citizen input. Nine out of 10 survey respondents supported Zero Tolerance and 85% supported hiring more police officers. The participants in our budget discussions also support Zero Tolerance; however, they would like to see it continued with less use of police overtime. Our citizens also want more police officers on the street and are willing to reduce other services to pay for new additional officers.

Here are our public safety budget highlights:

- ✓ This budget includes a \$1 million investment in police recruits. A new class of 50 this summer, a fall class of 30 and a winter 2009 class of 20. That's 100 police recruits to ensure new officers are available as others retire. In short, we want to over-hire above the current authorized strength of 741 sworn officers and reduce the dependency on overtime to support Zero Tolerance.
- ✓ We are proposing a reduction in our non-police workforce to help fund the police recruits.
- ✓ We are in the process of marking 25 previously unmarked police cars to increase the visibility of our police department to improve public safety.
- ✓ We have redeployed 53 sworn RPD personnel into the Tactical Unit to reduce violent crime.
- ✓ Two new mobile command posts will be deployed to areas that the Police Chief identifies for whatever period he deems necessary. These mobile command posts will be a meeting location for interdepartmental teams that will be formed to address specific, immediate needs in an area.
- ✓ Funds are provided to purchase an additional 20 new surveillance cameras that will bring the total number of cameras to 70.
- ✓ Funds are provided to hire part-time employees who have law enforcement experience to monitor surveillance cameras.
- ✓ \$1 million is included as a City capital contribution towards the construction of a new Monroe County Crime Lab.

## **ON ECONOMIC DEVELOPMENT**

Our citizen input showed that revitalizing our neighborhoods and downtown is a major priority. Ninety four percent of survey respondents support Clean Sweep and three out of every four citizens felt it was "very important" that the City be an environmental leader. There was also strong support in our quadrant budget discussions to continue revitalizing our neighborhoods with specific emphasis on keeping our community clean and green. A number of participants suggested we utilize our youth as a resource.

Here are our economic development budget highlights:

- ✓ The commercial tax rate decreases by 6.6% to assist economic investment. At the same time commercial property values increased by 9.8%

- ✓ The demolition of the former Midtown Plaza will make the site shovel ready for the new world headquarters for PAETEC. Holdings, Inc.
- ✓ Funds are provided for public infrastructure improvements for the new ESL headquarters to be constructed downtown.
- ✓ Capital funds are provided to relocate the existing Monroe County Parks building at the Port of Rochester to enable future development at the Port.
- ✓ Capital funds are provided for land acquisition and site assembly for new developments.
- ✓ We will use the \$288,000 in State funds for our Summer of Opportunity Program to provide jobs to city youth.
- ✓ In addition, I have allocated \$172,000 for a new employment initiative for 20 young adults called Providing Realistic Incentives for Maintaining Employment or (PRIME) to provide on the job training and increase the cleanliness of city neighborhoods.
- ✓ A number of former prisoners will be returning to the city and need employment. To reduce recidivism, an additional \$50,000 is allocated for a new, young adult at-risk employment program. This allocation is intended to leverage other resources to develop employment opportunities.
- ✓ A full-time position in my office has been repurposed to lead our “Green Team” to focus on opportunities to make investments in energy efficiency with a payback to our community.
- ✓ We are expanding our graffiti removal program. One crew will work four hours on Saturdays and Sundays.
- ✓ Businesses and organizations in the Downtown Special Services District voted to charge themselves a 13% increase in service hours from the safety team known as the “Red Shirts.”
- ✓ A number of capital projects in city neighborhoods will begin this year, including:
  - Construction of the Thomas P. Ryan Community Center;
  - Renovation of the South Avenue fire station;
  - Expansion and renovation of the Hudson fire station;
  - Phase one of Jefferson Avenue improvements
- ✓ The City Capital Improvement Program includes 3,700 smoke detectors and 1,400 carbon monoxide detectors provided free to city residents.
- ✓ Funding is provided for the Celebration of Rochester’s 175th Anniversary.

The City is projected to spend almost \$5 million on fuel – that’s \$1.2 million more than last year. To reduce our energy dependence and lower costs we already started the process of greening our fleet:

- ✓ We have issued our Police Department Parking Enforcement Unit five hybrid and alternative fuel vehicles. A police department employee recently stated, “My old police car use to consume seven to eight gallons of gas per day, now my Prius uses only seven to eight gallons of gas per week.”

- ✓ Police officers are testing a Ford Escape hybrid as a marked police vehicle for special events. It is expected to get 35 miles per gallon.
- ✓ Additional hybrid vehicles will be purchased in 2008-09.

## EDUCATION

Citizen input showed that public school educational excellence is a major concern. Education was one of the more energized conversations during the budget discussion sessions which involved the City's role in working with the City School District. Our citizens understand the importance of a good school system and some see the City and City School District as one entity, even though we have a different governance structure. The bottom line is they want results.

Most citizens did not support the State mandated Maintenance of Effort (MOE) law that locks in the City's generosity to the City School District and reduces accountability.

A number of participants were seriously concerned about how low Rochester's state aid per capita is compared to Buffalo and Syracuse – in comparison to the increased amount we give our schools. Our education budget highlights include:

- ✓ The MOE resulted in immediate negative consequences for the City of Rochester. It was cited as one of two reasons for our City's bond rating being downgraded.
- ✓ I am proposing to continue our generous support of \$119.1 million and pledge to not reduce this level of support.
- ✓ Keep in mind that the City has very little say in how the \$119.1 million is expended. Those decisions and accountability for them lies solely with the elected Rochester City School Board and its Commissioners.
- ✓ To significantly increase graduation rates, the proposed budget maintains an annual \$1 million in challenge funding initiated in 2007-08 for the Hillside Work Scholarship Program.
- ✓ To make our level of support more evident to taxpayers, I am proposing we show our full support to the City School District on the property tax bill. Taxpayers will see 73% of our tax levy allocated to support our school district.
- ✓ To promote further collaboration the proposed budget provides \$1 million in new funding for improvement to facilities shared between the City School District and the City. These funds will generate \$800,000 in new State funding for the District.
- ✓ Senior staff members of the City and City School District have drafted a Memorandum of Understanding to cooperatively move forward for 2008-09, regardless of the State mandated Maintenance of Effort.
- ✓ The pilot literacy outreach initiative that began in 2007-08 is expanded to Maplewood, Lyell and Wheatley library branches. Youth from the neighborhood will be employed in our libraries to teach our youngest children how to read.

- ✓ The “Safe to be Smart” youth program is expanded to Lyell, Lincoln and Wheatley library branches. Youth workers will engage our teenagers to show them how to constructively use the library and help to ensure their academic success.
- ✓ A Teen Center at Wheatley Library opens to encourage library use by neighborhood teens.
- ✓ The community branch libraries will be reorganized during the year into four quadrants for program planning and budgeting with all ten city library branches remaining open.
- ✓ Funding is provided to continue the Teen Court Program in partnership with the City School District and City Court.

## **CUSTOMER SERVICE**

Customer Service is a major priority of this administration. Our survey respondents were generally satisfied with City services such as garbage pickup, recycling, snow and sidewalk plowing, with all receiving a grade of “B” or better. Citizens in our quadrant discussions were clear they expected us to look hard for efficiencies, consolidations and outsourcing before we considered raising property taxes or user fees.

A number of our citizen participants suggested we reduce the number of full-time employees, given the benefit costs associated with them. They encouraged us to use City-owned facilities for programs and look to reduce the amount of property we lease.

77% of survey respondents considered Zero Tolerance and enhanced police services a high priority, even if it meant cutting other programs and services. Citizens in our quadrant discussions had mixed opinions on how our Neighborhood Empowerment Teams (NET) function. Some suggested eliminating NET while most appeared to support improving the consistency of enforcement at a lower cost. There was a consistent call for a “quarterback” for service delivery in each quadrant in the city.

Some of our consolidation budget highlights include:

- ✓ In this budget – we are proposing the consolidation of the Department of Community Development, Department of Economic Development and the Neighborhood Empowerment Teams into one department called the Department of Neighborhood and Business Development.
- ✓ The new department will streamline and expedite delivery of neighborhood and business services.
- ✓ This consolidation is not a reshuffling of the deck. We will be providing more targeted service to our customers with overlapping duties and services eliminated.
- ✓ The most visible change from this consolidation will come from the current six NET offices evolving into four quadrant Neighborhood Service Centers. This is not just a cut of two NET offices; it is a philosophical and operational shift in service delivery. This is a “team based” model - and each quadrant office will have a “quarterback” to coordinate city services to that neighborhood area.

- ✓ The four quadrant Neighborhood Service Centers will be located as follows:
  - Northwest Center at 1099 Jay St.;
  - Southwest Center at 923 Genesee St.;
  - Southeast Center at 846 S. Clinton Ave.;
  - Northeast Center at 500 Norton St.
- ✓ I have begun to engage neighborhood leaders to obtain further input on where to permanently locate these service centers in the future and how to design the operation of the centers.
- ✓ Office moves are expected to save \$146,600 in lease costs.
- ✓ We will not renew our lease agreement for the NET offices on Webster Avenue and Lake Avenue.
- ✓ Lake Avenue and Lyell Avenue NET staff will be consolidated at the Westside Police section.
- ✓ Webster office staff will be consolidated into the Clinton Neighborhood Service Center.
- ✓ The Neighborhood Service Centers will have a cross-departmental team. This will include police, fire, code enforcement, economic development, community development, 3-1-1 and other departmental representatives. The teams will meet weekly with neighborhood groups and organizations to better assess priorities and to better provide services. The Neighborhood Service Centers are, in essence, the evolution of NET, but the Centers will have decision-makers on-site to facilitate service delivery.
- ✓ This team-based service delivery model also will provide services such as additional Operation Uplifts, graffiti removal blitzes, drug house policing, neighborhood walk-throughs, mini Clean Sweeps, snow and refuse services and other efforts identified as priorities in our neighborhoods.
- ✓ The 311 Call Center will be expanded to ensure customer calls for service are acted upon in a timely manner. We are also looking to better-utilize our Call Center representatives during the off-hours.
- ✓ We further reduce our leased facilities :
- ✓ In summer, 2008, the Professional Standards Unit of the Rochester Police Department will be relocated to 1495 Lyell Ave.
- ✓ The Pathways to Peace Office is relocated to the Danforth Recreation Center.
- ✓ The Training and Safety Office will be relocated to Maplewood Park.

Our budget efficiency highlights include:

- ✓ We successfully transitioned a number of current employees to a lower cost health care plan. The City will realize a \$1.2 million savings from this change.



- ✓ An estimated \$1.4 million in additional health insurance savings is achieved due to increased employee contributions and the planned reduction in workforce.
- ✓ Another large efficiency is a half-a-million dollars reduction in utility costs due to an increase in City-owned street lights with increased lamp efficiency.
- ✓ We plan on following CGR's recommendation to redesign recycling routes and still deliver the same service. This will save the city \$607,000.
- ✓ We are saving \$50,000 by eliminating 50 cell phones.
- ✓ We will downsize the City fleet by 13 vehicles.
- ✓ The Fire Department begins phase one of a four-year transition to a new service delivery model, recommended by the Fire Chief and his senior staff. By creating two engine/quint companies - we can reduce the number of quint/midi companies from nine to seven - and the number of engine companies from eight to six. All 15 stations will remain in operation and we will retain excellent response times.

Our outsourcing budget highlights include:

- ✓ We will outsource a portion of our Information Technology support which previously was performed in-house. The philosophy will be to purchase new applications systems instead of building in-house systems.

Our service reductions highlights include:

- ✓ The Thursday night laser light shows and fireworks are eliminated. Friday, Saturday and special holiday events will continue.
- ✓ Recreation service hours are reduced at the South Avenue Recreation Center from 11 to eight hours per day during the summer and from seven to three-and-a-half hours per day during the school year. Afternoon and evening programming will be maintained.
- ✓ Recreation activities are eliminated at satellite locations including: #2, #28, #33, #41, #42, #43, #46 Schools.
- ✓ Winter learn to swim programs are eliminated at Jefferson, Charlotte, Madison, and Monroe High Schools.
- ✓ The Street Chip Seal Program is deferred for one year in lieu of other street maintenance activities.
- ✓ Funding is eliminated for the Fall Clean Sweep, but the Spring Clean Sweep remains funded.
- ✓ Funding is eliminated for Inner Loop recreational use during the Summer.
- ✓ Bus transportation to Durand Eastman Beach is eliminated, while private food vending is provided.

- ✓ The savings from these efficiencies, consolidations and outsourcing total **\$8.4 million**.

Significant effort was placed on trying to follow through on the themes and suggestions provided at our public input sessions. Many are incorporated into this budget and detailed above while others require further development and may be included in future budgets.

Let me now address the proposed Use of the \$20 million Spin-up. We are proposing to use this one-time revenue to reduce future operating expenditures and grow our property tax base. We are not proposing to use the spin-up revenue to close our projected budget gap for this year or to fund new, recurring operating expenses. Such a practice would only leave us in a worse situation next year. It is important to note that the \$20 million will not come until June, 2009 and must be included in the State's 2009-10 Budget. Given this situation we were careful to mostly identify uses where the cash was not immediately needed.

We are proposing a "Grow Rochester Fund" of \$15.8 million in capital projects, \$2.2 million in debt reduction and a \$2 million reserve for future property tax relief. Further details of the capital projects are listed on the screen and available in your handout.

Turning to the City's self-supporting enterprise funds.

I am recommending fee increases for the water and the local works charge. No rate increase for residential refuse customers is proposed. A \$14.68 increase in water charges is proposed for a typical homeowner. Members of my Senior Management Team and members of the Monroe County Water Authority have studied a number of options and presented you with their findings.

Regardless of what path we take with the Water Authority I am hopeful the State will buy our watershed and relieve us of some of the operating expenses currently associated with owning the land. A \$5.20 increase in the local works charge for the typical homeowner is included. In total these fee increases represent less than \$20 for a typical homeowner and are necessary to fund rising labor and fuel costs and to keep Rochester clean and safe.

I want to discuss the revenue increase from the tax levy. Let me begin by distinguishing between the tax levy and the tax rate. The tax rate is the percentage of the assessed value of your property that we tax. The tax levy is the total amount of dollars billed. Often, politicians will reduce the tax rate and say they cut taxes. That's not necessarily the case. As your assessed value grows, so too does the amount you pay in taxes, if the tax rate remains the same. For you to pay the same amount in taxes on a higher-value home, the tax rate would have to be reduced.

Now, as you know, the City underwent a property revaluation process this year. The good news is that, for the most part, property values in the city increased by an average of 11%. Let me say that again. Property values in the city increased by an average of 11%. It's good news to know that your property is increasing in value.

By taking full advantage of that growth and keeping the tax rates the same, I could have raised the tax levy by \$15 million. That would have meant a \$145 property tax increase to the typical homeowner and an \$858 property tax increase to the typical business. I have said previously that raising property taxes would be the last thing I would consider. It was. After going through a process in which we made difficult decisions, there remained a \$5.8 million gap. I proposed to use a fraction of the increased property values to close that gap. I propose we use 3.9% of the 11% growth. I believe this capitalizes on the positive growth in property value we enjoy without punishing the taxpayer for that growth.

Consequently, the typical homeowner will see the tax rate go down, but will see a small increase in the tax bill.

Combined with the proposed increases in water and local works charges, the increase in the typical homeowner tax bill will be \$88.79 this year, or \$1.71 per week. I believe this increase is reasonable and responsible given the challenges we face. And I only proposed this increase *after* making major cuts and changes in our City government.

By not taking an easy way out, by not using the spin-up to solve this year's problem, we forced difficult but prudent choices. While the elimination of jobs is unfortunate, it is necessary to create a budget that puts us on sound fiscal footing for the future. I believe this budget will plant additional seeds that will enable Rochester to grow and become the best mid-sized city in the United States.